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SUBJ: U.S.-PANAMA TREATY NEGOTIATIONS: WEEKLY ACTIVITIES
REPORT-JULY 23 - JULY 29

1. NEGOTIATIONS. ON JULY 29, FOLLOWING A PRELIMINARY
MEETING WITH AMBASSADORS BUNKER AND LINOWITZ, PRESIDENT
CARTER RECEIVED A PANAMANIAN DELEGATION CONSISTING OF
AMBASSADOR TO THE U.S. LEWIS AND NEGOTIATORS ESCOBAR AND
ROYO. HE GAVE THE PANAMANIAN A LETTER TO GENERAL TORRIJOS.
THE PANAMANIAN RETURNED TO PANAMA IMMEDIATELY AFTER THE 40-
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MINUTE WHITE HOUSE MEETING.

IT IS ANTICIPATED THAT PLANNING MINISTER BARLETTA AND LT.
COL. CONTRERAS WILL ARRIVE IN WASHINGTON DURING THE WEEK
OF AUGUST 1 TO CONTINUE THE DISCUSSIONS ON ECONOMIC AR-
RANGEMENTS AND LANDS AND WATERS. A FORMAL MEETING OF THE
NEGOTIATORS IS NOT EXPECTED BEFORE AUGUST 8.

ESCOBAR AND ROYO WILL BE ACCOMPANYING GENERAL TORRIJOS TO BOGOTA FOR AN AUGUST 5 MEETING WITH LATIN AMERICAN LEADERS WHO HAVE ACTIVELY SUPPORTED PANAMA ON THE CANAL ISSUE. THE PRESIDENTS OF MEXICO, VENEZUELA, COLOMBIA, AND COSTA RICA AND POSSIBLY OTHERS ARE EXPECTED TO ATTEND.

2. SENATE HEARINGS. THE SENATE JUDICIARY SUBCOMMITTEE ON SEPARATION OF POWERS HELD A SECOND HEARING ON CONSTITUTIONAL ASPECTS OF THE CANAL NEGOTIATIONS JULY 29. STATE DEPARTMENT LEGAL ADVISER HERBERT HANSELL TESTIFIED CONCERNING PROPERTY TRANSFERS, AND TREASURY ASSISTANT GENERAL COUNSEL RUSSELL MUNK DISCUSSED THE RELATIONSHIP OF FINANCIAL AGREEMENTS TO A NEW CANAL TREATY. SUBCOMMITTEE CHAIRMAN ALLEN AND SENATOR HATCH EXPRESSED CONCERN THAT THE ADMINISTRATION WOULD AVOID PROPER CONGRESSIONAL SCRUTINY OF A NEW AGREEMENT BY FAILING TO SEEK LEGISLATIVE AUTHORIZATION FOR PROPERTY TRANSFERS AND BY ENTERING INTO FINANCIAL AGREEMENTS OUTSIDE OF A TREATY. THEY ALSO ALLEGED ADMINISTRATION UNWILLINGNESS TO KEEP THE CONGRESS FULLY INFORMED ABOUT THE NEGOTIATIONS. THE ADMINISTRATION WITNESSES NOTED THE EXTENSIVE CONSULTATIONS ALREADY UNDERTAKEN WITH MEMBERS AND COMMITTEES OF THE SENATE AND HOUSE AND STATED THAT THE ADMINISTRATION WOULD CONTINUE THIS PRACTICE. OTHER WITNESSES INCLUDED SENATOR HAYAKAWA AND CANAL ZONE POLICEMAN WILLIAM DRUMMOND. THE SUBCOMMITTEE IS CONSIDERING HOLDING FURTHER HEARINGS FOLLOWING THE AUGUST RECESS. CONFIDENTIAL

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3. MEDIA COVERAGE. NEW YORK TIMES AND THE BALTIMORE SUN JULY 28 GAVE MODERATE COVERAGE TO A SPEECH TO THE FOREIGN POLICY ASSOCIATION IN NEW YORK CITY BY AMBASSADOR LINOWITZ IN WHICH HE STATED THAT THE U.S. AND PANAMA ARE CLOSER TO A NEW TREATY THAN AT ANY OTHER TIME IN PAST TEN YEARS. LINOWITZ IS QUOTED AS SAYING THAT IT IS "CONCEIVABLE BUT NOT LIKELY" THAT A NEW TREATY COULD BE AGREED UPON BY THE END OF NEXT MONTH.

THE WASHINGTON POST OF JULY 29 HAS BRIEF STORY ANNOUNCING WHITE HOUSE MEETING BY PRESIDENT CARTER WITH U.S. AND PANAMANIAN NEGOTIATORS "IN AN EFFORT TO SPEED UP NEGOTIATIONS." ANNOUNCEMENT CITES MAJOR UNRESOLVED ISSUES IN CURRENT TALKS AS "U.S. ECONOMIC COMPENSATION FOR CONTINUED CONTROL OF THE CANAL AND THE STATUS OF AMERICAN CANAL ZONE EMPLOYEES ONCE THE WATERWAY REVERTS TO PANAMANIAN JURISDICTION."

WASHINGTON STAR JULY 27 GIVES COVERAGE TO TESTIMONY BEFORE HOUSE MERCHANT MARINE SUBCOMMITTEE BY COL JOHN P. SHEFFEY, FORMER ADVISER TO TREATY NEGOTIATORS, COMPARING CANAL TO LITTLE FINGER: "IT MAY NOT BE VITAL BUT YOU'D LIKE TO KEEP

IT." STAR ARTICLE ALSO QUOTES ROBERT G. COX, FORMER STATE DEPT. OFFICIAL, AS SAYING REAL DANGER TO CANAL IS IN DRAINING OF GATUN LAKE. THIRD WITNESS, BRIG. GEN. I. B. GRAHAM, SPEAKING FOR JCS, WAS QUOTED AS SAYING THAT IT WOULD TAKE THREE DIVISIONS PLUS SEA AND AIR SUPPORT TO DEFEND THE CANAL AGAINST FULL-SCALE ATTACK. GRAHAM SAYS PREFERRED DEFENSE WOULD BE IN CONJUNCTION WITH FRIENDLY PANAMA

4. HOUSE HEARINGS. THE HOUSE PANAMA CANAL SUBCOMMITTEE CONDUCTED HEARINGS JULY 25-27 ON THE ECONOMIC, MILITARY, AND FOREIGN POLICY SIGNIFICANCE OF THE PANAMA CANAL. THE SESSIONS WERE INTENDED TO PROVIDE BACKGROUND DATA IN ANTICIPATION OF HOUSE CONSIDERATION OF LEGISLATION TO IMPLEMENT A NEW TREATY. WITNESSES INCLUDED ACADEMICIANS, RE-CONFIDENTIAL

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TIRED MILITARY OFFICERS, JOURNALISTS, AND OTHERS KNOWLEDGEABLE ABOUT THE CANAL. THE PRINCIPAL ADMINISTRATION WITNESSES WERE CANAL ZONE GOVERNOR PARFITT AND BRIG. GEN. I. B. GRAHAM (USAF) OF THE JOINT STAFF.

5. SENATE BRIEFING. ON JULY 28 AMBASSADORS BUNKER AND LINOWITZ, ACCOMPANIED BY AIR FORCE CHIEF OF STAFF JONES, CONDUCTED THE FIFTH OF A SERIES OF BRIEFINGS ON THE CANAL NEGOTIATIONS FOR MEMBERS OF THE SENATE. SENATORS PRESENT WERE BIDEN, CRANSTON, GRAVEL, GLENN, HOLLINGS, JAVITS, LEAHY, MATSUNAGA, METZENBAUM, PELL, PERCY, AND RIBICOFF. A TOTAL OF 40 SENATORS HAVE PARTICIPATED IN THIS SERIES OF BRIEFINGS.

6. SEN. GRAVEL AND SEA LEVEL CANAL. A REPORT PREPARED BY SEN. MIKE GRAVEL PROPOSING EARLY RE-EXAMINATION OF A POSSIBLE SEA-LEVEL CANAL IN PANAMA, PARTLY AS A MEANS TO TRANSPORT ALASKAN OIL TO EAST AND GULF COAST MARKETS, HAS BEEN PUBLISHED BY THE SENATE PUBLIC WORKS COMMITTEE. SEN. GRAVEL HAS DISCUSSED HIS IDEAS RECENTLY WITH VARIOUS USG OFFICIALS, INCLUDING THE TREATY NEGOTIATORS AND THE JCS CHAIRMAN. ACCORDING TO PRESS ANNOUNCEMENTS, GRAVEL PLANS A TRIP TO PANAMA TO CONFER WITH GENERAL TORRIJOS IN EARLY AUGUST. VANCE

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